

AMITE COUNTY SCHOOL DISTRICT MISSISSIPPI

COMPLIANCE REPORT

Limited Internal Control and Compliance Review Management
For the year ended *June 30, 2022*

SHAD WHITE, CFE
State Auditor

Charlotte L. Duckworth
Director, *Compliance Audit Division*



*The Office of the State Auditor does not discriminate on the basis of
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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

February 9, 2024

Limited Internal Control and Compliance Review Management Report

Amite County School District
533 South Maggie Street
Liberty, MS 39645

Dear Members of the Amite County School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the **Amite County School District** for the **Fiscal Year 2022**. In these findings, the Auditor's Office recommends the **Amite County School District**:

1. Strengthen Internal Controls over Activity Fund Revenue;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Teacher Incentive Programs;
4. Ensure Compliance with State Law over Ad Valorem Tax Request Publication and Escrows;
5. Ensure Compliance with State Law over Statements of Economic Interest;
6. Ensure Compliance with State Law over Obtaining and Maintaining Background Checks;
7. Ensure Compliance over State Law over Sixteenth Section Lease Payments;
8. Ensure Compliance with State Law over Educable Child Lists;
9. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
10. Ensure Compliance with State Law over Surety Bonds.

The enclosed findings contain more information about our recommendations. During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, individuals charged with governance and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Amite County School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink, reading "Charlotte L. Duckworth".

CHARLOTTE L. DUCKWORTH
Director of Compliance
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the **Amite County School District** for the year ended **June 30, 2022**.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. In accordance with *Section 7-7-211, Mississippi Code Annotated (1972)*, the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We identified certain deficiencies in internal control over financial reporting that we consider to be *significant deficiency* in internal control. These matters are noted under the heading **SIGNIFICANT DEFICIENCY**. We also identified certain deficiencies in internal control that we consider other deficiency in internal control. These matters are noted under the heading **OTHER DEFICIENCY**.

In addition, while performing our review, we noted certain instances of noncompliance with State laws that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

SIGNIFICANT DEFICIENCY

Finding 1: The School District Should Strengthen Internal Controls over Activity Fund Revenue.

Internal Control Deficiency: *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

Finding Detail: During the review of the School District's activity fund deposits, the auditor noted the following exceptions out of 20 tested:

- There was a net overage of \$5.00 between deposits and ticket sales for a varsity football home game; and
- The School District ran out of tickets during an athletic event; however, sales continued without documenting the additional tickets sold.

Inadequate internal controls related to activity funds revenue could result in a loss of assets and improper revenue recognition.

Recommendation: We recommend that Amite County School District strengthen internal controls by implementing adequate policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

District's Response: The District does concur. The School District will strengthen internal controls over Activity/Athletics Fund revenue receipts by providing more training to staff and providing the adequate amount of tickets for the event.

Repeat Finding: No.

OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements.

Internal Control Deficiency: Management is responsible for ensuring that all travel reimbursements expenditures are correctly recorded, allowed, and documented, as required by the Department of Finance and Administration. Proper internal controls would include maintaining corroborating evidence such as conference schedules and attendance certifications and completing travel request forms.

Applicable State Law: *Section 25-1-83, Mississippi Code Annotated*, states, "It is further provided that no funds appropriated by the Legislature or received by any agency, department, or institution from any source whatever shall be used in defraying the expenses of any state employee, other than an officer or department head, in attending a convention, association, or meeting, unless such employee be duly authorized by prior approval in writing of the departmental head or officer in charge of such department, agency, or institution in its annual report to the Legislature shall separately show each association convention, or meeting attended by any of its employees, the purposes thereof, the names of the employees attending, and the total cost to the state of such convention, association, or meeting."

Finding Detail: During the review of the School District's travel reimbursements, the auditor noted the following exceptions out of 20 tested:

- One travel reimbursement did not have evidence of a travel voucher on file nor approval for travel; and
- One instance where mileage was claimed for travel; however, the employee was out on sick and personal leave totaling \$58.

Failure to have adequate controls surrounding the School District's travel reimbursements could result in waste, fraud and abuse of public funds, and resulted in noncompliance with state law.

Recommendation: We recommend that Amite County School District strengthen internal controls and ensure compliance with state law by implementing adequate policies to ensure that the expense reimbursements are properly documented, approved, and verified. Also, the School District should ensure that employees are not being reimbursed for travel that was not taken.

District's Response: The District does concur. We will strengthen internal controls to ensure proper documents are approved and verified for all travel. Directors will be notified to check leave against travel reimbursements monthly.

Repeat Finding: No.

Finding 3: The School District Should Strengthen Internal Controls over Contracts and Policies to Ensure Compliance with State Law over Teacher Incentive Programs.

Internal Control Deficiency: The Board of Education may establish or adopt any orders, resolutions, or ordinance with respect to District affairs, property, and finances, which are consistent with other state law (Home Rule). The Board of Education must also establish and oversee the performance of the School District in order to comply with applicable law and internal controls. *The Committee of Sponsoring Organizations of the Treadway Commission (COSO)* and *The Standards for Internal Control in the Federal Government (Greenbook)* dictate that in order to have a successful control environment, the organization must design and implement internal control policies and procedures that ensure compliance with all relevant regulations.

Applicable State Law: *Mississippi Attorney General Opinion No. 2010 WL 2019883* states, “Payments in which there is no pre-existing obligation to make the payments, as in the case of bonuses, or in which payments are made for future services that have not been provided at the time the payments are made, as in the case of donations, are considered unlawful, in accordance with *Mississippi Constitution Article IV, Sections 66 and 96*. *MS AG Op., Allen (June 11, 2004)*; *MS AG Op., Ellis (June 27, 1994)*. To the contrary, we have previously opined that employee incentive payments which are implemented prospectively and for which payment is made pursuant to conditions met in the future do not run afoul of these constitutional provisions. *MS AG Op., Meredith and Jones (December 22, 2006)*; *MS AG Op., Silver (July 18, 2003)*; *MS AG Op., Jackson (June 29, 1992)*. See also *MS AG Op., Murdock (August 7, 2009)* and *MS AG Op., Bowman (November 14, 2005)* (incentive provision may be included in contracts when incentive payments are contemplated by contract, there are predetermined objective standards of measurement, payments have been earned and proper amount paid and does not exceed maximum amount).”

Article 4, Section 66, Mississippi Constitution, states, “No law granting a donation or gratuity in favor of any person or object shall be enacted by the concurrence of two-thirds of the members elect of each branch of the Legislature, nor by any vote for a sectarian purpose or use.”

Article 4, Section 96, Mississippi Constitution provides the Legislature shall never grant extra compensations fee, or allowance, to any public officer, agent, servant, or contractor, after service rendered or contract made, nor authorize payment, or part payment, of any claim under any contract not authorized by law;

Finding Detail: During the review of the School District’s contractual obligations and salary payments to employees, the auditor noted that they adopted an “incentive pay” program to reward certified teachers, teacher assistants, and support staff. The Mississippi Attorney General’s Office (AGO) has consistently opined that School Boards have the authority to adopt such programs, as long as they meet the following criteria:

- 1.) The incentives are contracted for prior to the date to when services are performed;
- 2.) The incentives are determined in accordance with objective standards of measurement; and
- 3.) The incentives are earned by personal services performed by the employee.

Further, the AGO has consistently opined that compliance with the above criteria are essential to ensure incentive payments do not constitute prohibited payments, such as bonuses or donations.

The incentive program designed by the Amite County School District currently provides incentives for services contracted for prior to the date they were performed. Not following this requirement as defined by *Attorney General Opinion No. 2010 WL 2019883* could lead to noncompliance with state law.

Failure to properly document or account for how the school is in compliance with the criteria stated above could result in incentive payments being classified as improper payments to employees.

Recommendation: We recommend the Amite County School District strengthen internal controls and ensure compliance over incentive payments by ensuring that all payments are in compliance with the required criteria. We further recommend

that the School District consult with their Board Attorney, Mississippi Department of Education, or the Attorney General's Office to ensure their incentive program is in compliance with the law.

District's Response: We were not aware at the beginning of the fiscal year the incentive would be an allowable expenditure. Once it was confirmed that we could do it, we put the incentive in place thinking the policy would be retroactive back to July 1. However, the District does concur with the finding and will consult with all sources to ensure that the incentive programs, in the future, are in compliances with the law and all documents are completed in a timely manner.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 4: The School District Should Ensure Compliance with State Law over the Ad Valorem Tax Request Publication and Escrows.

Applicable State Law: *Section 27-39-207(2)(a), Mississippi Code Annotated (1972)*, states, "The school board of the school district shall advertise its intent to increase its ad valorem tax effort in dollars in a newspaper of general circulation in the county. The advertisement shall be no less than one-fourth (1/4) page in size and the type used shall be no smaller than eighteen (18) point and surrounded by one-fourth-inch solid black border. The advertisement shall not be placed in any portion of the newspaper where legal notices and classified advertisements appear."

Section 27-39-207(2)(b), Mississippi Code Annotated (1972), provides that: Except as provided for in subsection (1) of this section, if a school district is requesting an increase in ad valorem tax effort in dollars pursuant to *Sections 37-57-105 and 37-57-107*, it shall be written in the requisite form.

Section 37-57-105(3), Mississippi Code Annotated (1972), states, "The aggregate receipts from ad valorem taxes levied for school district purposes, excluding collection fees, pursuant to this section and *Section 37-57-1* shall be subject to the increased limitation under *Section 37-57-107*; however, if the ad valorem tax effort in dollars requested by the school district for the fiscal year exceeds the next preceding fiscal year's ad valorem tax effort in dollars by more than four percent (4%) but not more than seven percent (7%), then the school board shall publish notice thereof once each week for at least three (3) consecutive weeks in a newspaper having general circulation in the school district involved, with the first publication thereof to be made not less than fifteen (15) days prior to the final adoption of the budget by the school board."

Finding Detail: During the review of the School District's ad valorem taxes and homestead exemptions, the auditor noted that the District received more ad valorem taxes and homestead exemption reimbursements than the amount allowed by *Section 37-57-107, Mississippi Code Annotated (1972)*. The excess is the result of the District including its name within the advertisement of the tax increase in the local newspapers and receiving more tax revenue from the County than the District's base amount.

The miscalculation resulted in a violation of *Section 37-57-107, Mississippi Code Annotated (1972)*, the excess collected during the 2021-2022 year totaling **\$105,898** should be restricted for one year.

Recommendation: We recommend the Amite County School District ensure compliance by implementing adequate policies and procedures to ensure the limitation of ad valorem taxes and homestead exemption reimbursements are met, as required by state law. Also, we recommend the School District escrow the excess noted, totaling **\$105,898**.

District's Response: The District does concur. We will ensure that the ad valorem tax advertisement has the heading to include Amite County School District.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with the State Law over the Statements of Economic Interest.

Applicable State Law: *Section 25-4-25, Mississippi Code Annotated (1972)*, states, “Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: a) Persons elected by popular vote...” *Section 25-4-29(1), Mississippi Code Annotated (1972)*, provides that “Required statements hereunder shall be filed as follows: a) Every incumbent public official required....to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration...2) Any person who fails to file a statement of economic interest within thirty (30) days of the date of the statement is due shall be deemed delinquent by the commission...a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000.00) shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgment with the circuit clerk in the delinquent filer’s county of residence...”

Finding Detail: During the review of the School District’s Statements of Economic Interest, the auditor noted two Board members did not file a Statement of Economic Interest until after May 1, 2022.

Failure to file the Statement of Economic Interest could result in fines being assessed and a civil judgment being enrolled against the delinquent filers, as allowed by *Section 25-4-29(2)*, and resulted in noncompliance with state law.

Recommendation: We recommend the Amite County School District ensure compliance by assuring all School Board members file a Statement of Economic Interest annually, no later than May 1st of each year that such official holds office, regardless of the duration.

District’s Response: The District does concur. Board members will be reminded by the School District to fill out the Statement of Economic Interest before the May 1st deadline.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over Obtaining and Maintaining Background Checks.

Applicable State Law: *Section 37-9-17, Mississippi Code Annotated (1972)*, states, “Current criminal records background checks and current child abuse registry checks are obtained, and that such criminal record information and registry checks are on file for any new hires applying for employment as a licensed or non-licensed employee at a school and not previously employed in such school under the purview of the State Board or at such local school district prior to July 1, 2000.” Ultimately, the criminal records information and registry must be kept on file for any and all new hires. Additionally, employees employed under the recommendation of a personnel supervisor may not be paid compensation in excess of their approved contract without Board approval.

Finding Detail: During the review of the School District’s personnel files, the auditor noted the School District did not obtain criminal background checks for one out of 20 tested.

Failure to obtain background checks of all new hires could result in a wrongful hire of an individual and resulted in noncompliance with state law.

Recommendation: We recommend the Amite County School District ensure compliance by assuring criminal background checks are obtained and maintained in the personnel files of its employees, as required by state law.

District's Response: It is required for all new hires to be fingerprinted before employment begins, no matter the position. Procedures are followed to ensure background checks are obtained for every new hire. The above referenced employee was hired in August 2003.

Auditor's Note: Per the state law referenced above, in order to be exempt from the criminal background checks the new hire must be hired prior to July 1, 2000.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Payments.

Applicable State Law: *Section 29-3-57, Mississippi Code Annotated (1972)*, states, "Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances were present, and the Board shall inaugurate the proper legal proceedings to terminate such lease."

Finding Detail: During the review of the School District's sixteenth section land leases, the auditor noted one out of 20 lease payments was more than 60 days late; however, the lease agreement was not terminated nor justification given in the Board minutes for the allowance of the late payment.

Failure to terminate the lease agreement due to the late payment of rental payments resulted in noncompliance with state law.

Recommendation: We recommend the Amite County School District ensure compliance by assuring all lease payments are no more than 60 days late or proper justification of late payment is approved by the Board and spread across its minutes, as required by state law.

District's Response: The District does concur. Proper justification will be spread across the Board minutes for the allowance of the late payments over 60 days.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Laws over Educable Child Lists.

Applicable State Law: *Section 29-3-121, Mississippi Code Annotated (1972)*, states, "It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year as provided by *Section 29-3-119, Mississippi Code Annotated (1972)*."

Finding Detail: During the review of the School District's educable child lists, the auditor noted for 2021-2022 school year, the educable child list, due December 31, 2021, was not submitted to Wilkinson County School District.

Failure to file the educable child list with the custodial school district could result in forfeiting funds that the School District would otherwise be entitled to, and resulted in noncompliance with state law.

Recommendation: We recommend the Amite County School District ensure compliance by assuring all educable child lists are prepared and filed with the Superintendent of each custodial District by December 31st of each year, as required by state law.

District's Response: We will begin sending an educable child letter to Wilkinson County School District.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

Applicable State Law: *Section 25-11-127 (1)(a), Mississippi Code Annotated (1972)*, states, "No person who is being paid a retirement allowance or a pension after retirement under this article shall be employed or paid for any service by the State of Mississippi, including services as an employee, contract worker, contractual employee or independent contractor, until the retired person has been retired for not less than ninety (90) consecutive days from his or her effective date of retirement. After the person has been retired for not less than ninety (90) consecutive days from his or her effective date of retirement or such later date as established by the board, he or she may be reemployed while being paid a retirement allowance under the terms and conditions provided in this section."

Section 25-11-127(4)(a)(b), Mississippi Code Annotated (1972), states, "The provisions of this section shall not be construed to prohibit any retiree, regardless of age, from being employed and drawing a retirement allowance either: (a) For a period of time not to exceed one-half (½) of the normal working days for the position in any fiscal year during which the retiree will receive no more than one-half (½) of the salary in effect for the position at the time of employment, or (b) For a period of time in any fiscal year sufficient in length to permit a retiree to earn not in excess of twenty-five percent (25%) of retiree's average compensation."

Finding Detail: During the review of the School District's PERS Form 4Bs, the auditor noted the following exceptions out of seven tested:

- Four PERS Form 4Bs did not have the complete retirement dates recorded; therefore, OSA could not determine if the retiree was not hired prior to 90 days after retirement; and
- One retiree was paid more than the allowed salary by PERS, totaling **\$1,200**.

Failure to have adequate controls over the rehire of retirees resulted in noncompliance with state law.

Recommendation: We recommend the Amite County School District ensure compliance by implementing adequate internal controls to ensure rehired retirees are properly paid and all PERS Form 4Bs are properly completed, as required by state law.

District's Response: The District does concur. The Payroll Clerk and Business Manager have been made aware of the importance of filing and properly documenting the Form 4Bs in a timely manner. Also, they will make sure the wages paid to employees are correct along with the form.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Law over Surety Bonds.

Applicable State Law: *Section 25-1-12(1), Mississippi Code Annotated (1972)*, states, "Notwithstanding any other provision of law to the contrary, any public officer or employee handling or having the custody of public funds, by virtue

of his or her office or employment, shall give an individual bond or be covered by a blanket bond. The amount of such bonds shall not be less than Twenty-five Thousand Dollars (\$25,000.00) for each public officer or employee, unless a specific amount is otherwise required by law. The provisions of this section shall not apply to any public officer or employee whose activity of handling or having custody of public funds is incidental to his or her employment or job duties, as defined by the regulations of the State Auditor's office."

Section 25-1-15(2), Mississippi Code Annotated (1972), states, "A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee."

Section 25-1-19, Mississippi Code Annotated (1972), states, "The bond of all other county officers and employees, or officers and employees for any district, subdivision, board or commission of a county, including public school districts, shall be approved by the board of supervisors of such county. All the bonds shall be filed and recorded in the chancery court of the county..."

Section 37-39-21, Mississippi Code Annotated (1972), states, "The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety."

Finding Detail: During the review of the School District's surety bonds, the auditor noted the following exceptions:

- The School District did not make a finding upon its Board minutes that the 99 certified teachers working as gatekeepers jobs were incidental to his or her employment do not require bonds and would be an occasional, not regularly recurring, handling of funds which is random and infrequent or an immaterial amounts of money;
- 18 bonds were not on file with the Chancery Clerk's Office:
 - Three Principals;
 - One Purchase Agent;
 - 14 Cashiers/Secretaries; and
 - 99 Certified Teachers/Gatekeepers.
- The Business Manager was not bonded as a Purchasing Agent; however, the District's Purchasing Authority policy designates the Business Manager as a Purchasing Agent; and
- One Board member was covered by a continuation certificate instead of an official bond.

A "continuation certificate" is a document that extends the life of the original surety bond. A continuation certificate only covers the current bonding period rather than both the current and previous periods. Failure to have a bond in place for a specific term of employment could limit the amount available for recovery if a loss occurred over multiple terms.

Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms. Additionally, failure to comply with the state statute, by being correctly and sufficiently bonded, could result in the loss of public funds.

Recommendation: We recommend the Amite County School District ensure compliance by assuring all employees are properly and sufficiently bonded, as required by state law. Additionally, the Board should ensure all bonds for employees' and officials' bonds are filed with the Chancery Clerk's office.

District's Response #1: The District does concur. Procedures will be put in place to prevent this problem from occurring in the future. The District will file all five Board members and seven administrative staff bonds at the Chancery Clerk's office. The Business Manager has now been bonded as Purchasing Agent to comply with *Board Policy DJEA*.

District's Response #2: The District disagrees. We have been informed many times at conferences by MASBO presenters and other legal counsel that gate keepers do not have to be bonded. Only employees who take in daily payments and directly deal with money daily should be. The gate keepers are governed by employees through the night who are bonded. We rotate all teachers to cover gates through all sports seasons. I do not think we will be able to get a certain number of employees to dedicate to being gate keepers for every game.

Auditor's Note: *OSA Circular No. 16 (1)(2)*, states, "House Bill 136, Laws of 2021, requires that any public officer or employee who handles or has custody of public funds, whereby the handling of money is not incidental to his or her employment, must carry a bond of not less than twenty-five thousand dollars (\$25,000.00). Any person who in the regular course of their duties spends, receives, or has custody of public funds would require a bond."

Repeat Finding: No.

End of Report